



House of Representatives

General Assembly

File No. 657

February Session, 2014

Substitute House Bill No. 5048

House of Representatives, April 22, 2014

The Committee on Finance, Revenue and Bonding reported through REP. WIDLITZ of the 98th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

**AN ACT ESTABLISHING THE CHET BABY SCHOLARS PROGRAM
AND AMENDING STATUTES RELATING TO THE CONNECTICUT
STUDENT LOAN FOUNDATION.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2014*) (a) There is established an
2 account to be known as the "CHET Baby Scholars fund" which shall be
3 a separate, nonlapsing account within the General Fund. The account
4 shall contain any moneys required by law to be deposited in the
5 account. Moneys in the account shall be expended by the office of the
6 Treasurer for the purposes of the CHET Baby Scholars program
7 established pursuant to this section.

8 (b) The Treasurer shall use the funds deposited into the CHET Baby
9 Scholars fund for the purpose of establishing the CHET Baby Scholars
10 program. The program shall promote college education savings by
11 providing a maximum incentive contribution of two hundred fifty
12 dollars from the CHET Baby Scholars fund to a designated beneficiary

13 in the Connecticut Higher Education Trust established pursuant to
14 sections 3-22f to 3-22o, inclusive, of the general statutes, as amended
15 by this act, and section 3 of this act. "Designated beneficiary" has the
16 meaning as provided in section 3-22f of the general statutes, as
17 amended by this act, except that, for purposes of this section, such
18 beneficiary shall be born or legally adopted on or after January 1, 2014,
19 and shall be a state resident at the time the Treasurer provides an
20 incentive contribution.

21 (c) The Treasurer shall provide, from the available funds in the
22 CHET Baby Scholars fund, incentive contributions to be credited
23 toward the savings plan in the Connecticut Higher Education Trust for
24 a designated beneficiary in the amounts of (1) one hundred dollars,
25 provided a depositor enters into a participation agreement not later
26 than the first birthday of the designated beneficiary, or, in the case of a
27 designated beneficiary who is adopted, not later than one year after
28 the date the designated beneficiary is legally adopted, and (2) one
29 hundred fifty dollars, provided the designated beneficiary's savings
30 plan has received deposits totaling at least one hundred fifty dollars,
31 exclusive of the initial incentive contribution made pursuant to
32 subdivision (1) of this subsection, not later than the designated
33 beneficiary's fourth birthday, or, in the case of a designated beneficiary
34 who is adopted, not later than four years after the date of adoption.

35 (d) The Treasurer may enter into one or more contractual
36 agreements to fulfill the purpose of this section, and any such
37 contractual agreement shall specify the rules of participation in the
38 CHET Baby Scholars program. The Treasurer may pay for costs
39 incidental to establishing the CHET Baby Scholars fund or the CHET
40 Baby Scholars program, and any administrative costs related to
41 maintaining such program, from the CHET Baby Scholars fund
42 established pursuant to subsection (a) of this section.

43 Sec. 2. Section 12-743 of the general statutes is repealed and the
44 following is substituted in lieu thereof (*Effective July 1, 2014*):

45 (a) Any taxpayer filing a return under this chapter may contribute

46 any part of a refund under this chapter to (1) the organ transplant
47 account established pursuant to section 17b-288, (2) the AIDS research
48 education account established pursuant to section 19a-32a, (3) the
49 endangered species, natural area preserves and watchable wildlife
50 account established pursuant to section 22a-27l, (4) the breast cancer
51 research and education account established pursuant to section 19a-
52 32b, [or] (5) the safety net services account established pursuant to
53 section 17b-112f, or (6) an individual savings plan established under
54 the Connecticut Higher Education Trust established pursuant to
55 sections 3-22f to 3-22o, inclusive, as amended by this act, and section 3
56 of this act. Such contribution shall be made by indicating on the tax
57 return, in a manner provided for by the Commissioner of Revenue
58 Services pursuant to subsection (b) of this section, the amount to be
59 contributed to the account.

60 (b) (1) The Commissioner of Revenue Services shall revise the tax
61 return form to implement the provisions of subsection (a) of this
62 section, which form shall include spaces on the return in which
63 taxpayers may indicate their intention to make a contribution, in a
64 whole dollar amount, in accordance with this section. The
65 commissioner shall include in the instructions accompanying the tax
66 return a description of the purposes for which the organ transplant
67 account, the AIDS research education account, the endangered species,
68 natural area preserves and watchable wildlife account, the breast
69 cancer research and education account, [and] the safety net services
70 account and the Connecticut Higher Education Trust were created.

71 (2) For purposes of facilitating the registration of a taxpayer as an
72 organ donor, the commissioner shall include information in the
73 instructions accompanying the tax return that [(1)] (A) indicates the
74 manner by which a taxpayer may contact an organ donor registry
75 organization, or [(2)] (B) provides electronic links to appropriate organ
76 donor registry organizations for such purpose.

77 (3) For purposes of facilitating the participation of a taxpayer in the
78 Connecticut Higher Education Trust, the commissioner shall include

79 information in the instructions accompanying the tax return that (A)
80 indicates the manner by which the taxpayer may contact the
81 administrator of the Connecticut Higher Education Trust, or (B)
82 provides electronic links to such administrator for such purpose.

83 (c) A designated contribution of all or part of any refund shall be
84 irrevocable upon the filing of the return and shall be made in the full
85 amount designated if the refund found due the taxpayer upon the
86 initial processing of the return, and after any deductions required by
87 this chapter, is greater than or equal to the designated contribution. If
88 the refund due, as determined upon initial processing, and after any
89 deductions required by this chapter, is less than the designated
90 contribution, the contribution shall be made in the full amount of the
91 refund. The Commissioner of Revenue Services shall subtract the
92 amount of any contribution of all or part of any refund from the
93 amount of the refund initially found due the taxpayer and shall certify
94 the difference to the Secretary of the Office of Policy and Management
95 and the Treasurer for payment to the taxpayer in accordance with this
96 chapter. For the purposes of any subsequent determination of the
97 taxpayer's net tax payment, such contribution shall be considered a
98 part of the refund paid to the taxpayer.

99 (d) [The] Except for any funds collected for purposes of subdivision
100 (6) of subsection (a) of this section, the Commissioner of Revenue
101 Services, after notification of and approval by the Secretary of the
102 Office of Policy and Management, may deduct and retain from the
103 remaining funds so collected an amount equal to the costs of
104 implementing this section and sections 17b-288, 19a-32a, 22a-27l, 19a-
105 32b and 17b-112f but not to exceed seven and one-half per cent of the
106 funds contributed in any fiscal year and in no event shall exceed the
107 total cost of implementation of said sections.

108 Sec. 3. (NEW) (*Effective from passage*) (a) Notwithstanding any
109 provision of the general statutes, no moneys invested in the
110 Connecticut Higher Education Trust shall be considered to be an asset
111 for purposes of determining an individual's eligibility for assistance

112 under the temporary family assistance program, as described in
113 section 17b-112 of the general statutes, programs funded under the
114 federal Low Income Home Energy Assistance Program block grant,
115 and the federally appropriated weatherization assistance program, as
116 described in section 16a-41i of the general statutes.

117 (b) Notwithstanding any provision of the general statutes, no
118 moneys invested in said trust shall be considered to be an asset for
119 purposes of determining an individual's eligibility for need-based,
120 institutional aid grants offered to an individual at the public eligible
121 educational institutions in the state.

122 Sec. 4. Section 3-22f of the general statutes is repealed and the
123 following is substituted in lieu thereof (*Effective from passage*):

124 As used in sections 3-22f to 3-22o, inclusive, as amended by this act,
125 and section 3 of this act:

126 (1) "Depositor" means any person making a deposit, payment,
127 contribution, gift or otherwise to the trust pursuant to a participation
128 agreement;

129 (2) "Designated beneficiary" means (A) any individual (i) state
130 resident originally designated in the participation agreement, (ii)
131 subsequently designated who is a family member as defined in Section
132 2032A(e)(2) of the Internal Revenue Code or (iii) receiving a
133 scholarship from interests in the trust purchased by a state or local
134 government or an organization described in Section 501(c)(3) of the
135 Internal Revenue Code and qualified under Section 529 of the Internal
136 Revenue Code or (B) any other designated beneficiary qualifying
137 under said Section 529 enrolled in the trust;

138 (3) "Eligible educational institution" means an institution of higher
139 education qualifying under Section 529 of the Internal Revenue Code
140 as an eligible educational institution;

141 (4) "Internal Revenue Code" means the Internal Revenue Code of
142 1986, or any subsequent corresponding internal revenue code of the

143 United States, as from time to time amended;

144 (5) "Participation agreements" means agreements between the trust
145 and depositors for participation in a savings plan for a designated
146 beneficiary;

147 (6) "Qualified higher education expenses" means tuition, fees, books,
148 supplies and equipment required for the enrollment or attendance of a
149 designated beneficiary at an eligible educational institution, including
150 undergraduate and graduate schools and any other higher education
151 expenses that may be permitted by Section 529 of the Internal Revenue
152 Code; and

153 (7) "Trust" means the Connecticut Higher Education Trust.

154 Sec. 5. Section 3-22g of the general statutes is repealed and the
155 following is substituted in lieu thereof (*Effective from passage*):

156 (a) There is established the Connecticut Higher Education Trust to
157 promote and enhance the affordability and accessibility of higher
158 education for residents of the state. The trust shall constitute an
159 instrumentality of the state and shall perform essential governmental
160 functions, as provided in sections 3-22f to 3-22o, inclusive, as amended
161 by this act, and section 3 of this act. The trust shall receive and hold all
162 payments and deposits or contributions intended for the trust,
163 including contributions made pursuant to section 12-743, as amended
164 by this act, as well as gifts, bequests, endowments or federal, state or
165 local grants and any other funds from any public or private source and
166 all earnings until disbursed in accordance with sections 3-22f to 3-22o,
167 inclusive, as amended by this act, and section 3 of this act.

168 (b) The amounts on deposit in the trust shall not constitute property
169 of the state and the trust shall not be construed to be a department,
170 institution or agency of the state. Amounts on deposit in the trust shall
171 not be commingled with state funds and the state shall have no claim
172 to or against, or interest in, such funds. Any contract entered into by or
173 any obligation of the trust shall not constitute a debt or obligation of

174 the state and the state shall have no obligation to any designated
175 beneficiary or any other person on account of the trust and all amounts
176 obligated to be paid from the trust shall be limited to amounts
177 available for such obligation on deposit in the trust. The amounts on
178 deposit in the trust may only be disbursed in accordance with the
179 provisions of sections 3-22f to 3-22o, inclusive, as amended by this act,
180 and section 3 of this act. The trust shall continue in existence as long as
181 it holds any deposits or has any obligations and until its existence is
182 terminated by law and upon termination any unclaimed assets shall
183 return to the state. Property of the trust shall be governed by section 3-
184 61a.

185 (c) The Treasurer shall be responsible for the receipt, maintenance,
186 administration, investing and disbursements of amounts from the
187 trust. The trust shall not receive deposits in any form other than cash.
188 No depositor or designated beneficiary may direct the investment of
189 any contributions or amounts held in the trust other than in the
190 specific fund options provided for by the trust.

191 Sec. 6. Section 3-22h of the general statutes is repealed and the
192 following is substituted in lieu thereof (*Effective from passage*):

193 The Treasurer, on behalf of the trust and for purposes of the trust,
194 may:

195 (1) Receive and invest moneys in the trust in any instruments,
196 obligations, securities or property in accordance with section 3-22i;

197 (2) Establish consistent terms for each participation agreement, bulk
198 deposit, coupon or installment payments, including, but not limited to,
199 (A) the method of payment into the trust by payroll deduction, transfer
200 from bank accounts or otherwise, (B) the termination, withdrawal or
201 transfer of payments under the trust, including transfers to or from a
202 qualified tuition program established by another state pursuant to
203 Section 529 of the Internal Revenue Code, (C) penalties for
204 distributions not used or made in accordance with Section 529(b)(3) of
205 the Internal Revenue Code, (D) changing of the identity of the

206 designated beneficiary and (E) any charges or fees in connection with
207 the administration of the trust;

208 (3) Enter into one or more contractual agreements, including
209 contracts for legal, actuarial, accounting, custodial, advisory,
210 management, administrative, advertising, marketing and consulting
211 services for the trust and pay for such services from the gains and
212 earnings of the trust;

213 (4) Procure insurance in connection with the trust's property, assets,
214 activities, or deposits or contributions to the trust;

215 (5) Apply for, accept and expend gifts, grants, or donations from
216 public or private sources to enable the trust to carry out its objectives;

217 (6) Adopt regulations in accordance with chapter 54 for purposes of
218 sections 3-22f to 3-22o, inclusive, as amended by this act, and section 3
219 of this act;

220 (7) Sue and be sued;

221 (8) Establish one or more funds within the trust and maintain
222 separate accounts for each designated beneficiary; and

223 (9) Take any other action necessary to carry out the purposes of
224 sections 3-22f to 3-22o, inclusive, as amended by this act, and section 3
225 of this act, and incidental to the duties imposed on the Treasurer
226 pursuant to said sections.

227 Sec. 7. Section 3-22m of the general statutes is repealed and the
228 following is substituted in lieu thereof (*Effective from passage*):

229 The state pledges to depositors, designated beneficiaries and with
230 any party who enters into contracts with the trust, pursuant to the
231 provisions of sections 3-22f to 3-22o, inclusive, as amended by this act,
232 and section 3 of this act, that the state will not limit or alter the rights
233 under said sections vested in the trust or contract with the trust until
234 such obligations are fully met and discharged and such contracts are

235 fully performed on the part of the trust, provided nothing contained in
236 this section shall preclude such limitation or alteration if adequate
237 provision is made by law for the protection of such depositors and
238 designated beneficiaries pursuant to the obligations of the trust or
239 parties who entered into such contracts with the trust. The trust, on
240 behalf of the state, may include this pledge and undertaking for the
241 state in participation agreements and such other obligations or
242 contracts.

243 Sec. 8. Section 3-22n of the general statutes is repealed and the
244 following is substituted in lieu thereof (*Effective from passage*):

245 Nothing in sections 3-22f to 2-33o, inclusive, as amended by this act,
246 or section 3 of this act, or in any participation agreement shall
247 constitute nor be deemed to constitute an agreement, pledge, promise,
248 or guarantee of admission or continued enrollment of any designated
249 beneficiary or any other person to any eligible educational institution
250 in the state or any other institution of higher education.

251 Sec. 9. Section 1-120 of the general statutes is repealed and the
252 following is substituted in lieu thereof (*Effective July 1, 2014*):

253 As used in sections 1-120 to 1-123, inclusive:

254 (1) "Quasi-public agency" means Connecticut Innovations,
255 Incorporated, [and] the Connecticut Health and Educational Facilities
256 Authority, the Connecticut Higher Education Supplemental Loan
257 Authority, the Connecticut Student Loan Foundation, the Connecticut
258 Housing Finance Authority, the Connecticut Housing Authority, the
259 Connecticut Resources Recovery Authority, the Capital Region
260 Development Authority, the Connecticut Lottery Corporation, the
261 Connecticut Airport Authority, the Health Information Technology
262 Exchange of Connecticut, the Connecticut Health Insurance Exchange
263 and the Clean Energy Finance and Investment Authority.

264 (2) "Procedure" means each statement, by a quasi-public agency, of
265 general applicability, without regard to its designation, that

266 implements, interprets or prescribes law or policy, or describes the
267 organization or procedure of any such agency. The term includes the
268 amendment or repeal of a prior regulation, but does not include,
269 unless otherwise provided by any provision of the general statutes, (A)
270 statements concerning only the internal management of any agency
271 and not affecting procedures available to the public, and (B) intra-
272 agency memoranda.

273 (3) "Proposed procedure" means a proposal by a quasi-public
274 agency under the provisions of section 1-121 for a new procedure or
275 for a change in, addition to or repeal of an existing procedure.

276 Sec. 10. Section 1-124 of the general statutes is repealed and the
277 following is substituted in lieu thereof (*Effective July 1, 2014*):

278 (a) Connecticut Innovations, Incorporated, the Connecticut Health
279 and Educational Facilities Authority, the Connecticut Higher
280 Education Supplemental Loan Authority, the Connecticut Student
281 Loan Foundation, the Connecticut Housing Finance Authority, the
282 Connecticut Housing Authority, the Connecticut Resources Recovery
283 Authority, the Health Information Technology Exchange of
284 Connecticut, the Connecticut Airport Authority, the Capital Region
285 Development Authority, the Connecticut Health Insurance Exchange
286 and the Clean Energy Finance and Investment Authority shall not
287 borrow any money or issue any bonds or notes which are guaranteed
288 by the state of Connecticut or for which there is a capital reserve fund
289 of any kind which is in any way contributed to or guaranteed by the
290 state of Connecticut until and unless such borrowing or issuance is
291 approved by the State Treasurer or the Deputy State Treasurer
292 appointed pursuant to section 3-12. The approval of the State Treasurer
293 or said deputy shall be based on documentation provided by the
294 authority that it has sufficient revenues to (1) pay the principal of and
295 interest on the bonds and notes issued, (2) establish, increase and
296 maintain any reserves deemed by the authority to be advisable to
297 secure the payment of the principal of and interest on such bonds and
298 notes, (3) pay the cost of maintaining, servicing and properly insuring

299 the purpose for which the proceeds of the bonds and notes have been
300 issued, if applicable, and (4) pay such other costs as may be required.

301 (b) To the extent Connecticut Innovations, Incorporated, [and] the
302 Connecticut Higher Education Supplemental Loan Authority, the
303 Connecticut Housing Finance Authority, the Connecticut Housing
304 Authority, the Connecticut Resources Recovery Authority, the
305 Connecticut Health and Educational Facilities Authority, the
306 Connecticut Student Loan Foundation, the Health Information
307 Technology Exchange of Connecticut, the Connecticut Airport
308 Authority, the Capital Region Development Authority, the
309 Connecticut Health Insurance Exchange or the Clean Energy Finance
310 and Investment Authority is permitted by statute and determines to
311 exercise any power to moderate interest rate fluctuations or enter into
312 any investment or program of investment or contract respecting
313 interest rates, currency, cash flow or other similar agreement,
314 including, but not limited to, interest rate or currency swap
315 agreements, the effect of which is to subject a capital reserve fund
316 which is in any way contributed to or guaranteed by the state of
317 Connecticut, to potential liability, such determination shall not be
318 effective until and unless the State Treasurer or his or her deputy
319 appointed pursuant to section 3-12 has approved such agreement or
320 agreements. The approval of the State Treasurer or his or her deputy
321 shall be based on documentation provided by the authority that it has
322 sufficient revenues to meet the financial obligations associated with the
323 agreement or agreements.

324 Sec. 11. Section 1-125 of the general statutes is repealed and the
325 following is substituted in lieu thereof (*Effective July 1, 2014*):

326 The directors, officers and employees of Connecticut Innovations,
327 Incorporated, [and] the Connecticut Higher Education Supplemental
328 Loan Authority, the Connecticut Housing Finance Authority, the
329 Connecticut Housing Authority, the Connecticut Resources Recovery
330 Authority, including ad hoc members of the Connecticut Resources
331 Recovery Authority, the Connecticut Health and Educational Facilities

332 Authority, the Connecticut Student Loan Foundation, the Capital
333 Region Development Authority, the Health Information Technology
334 Exchange of Connecticut, the Connecticut Airport Authority, the
335 Connecticut Lottery Corporation, the Connecticut Health Insurance
336 Exchange and the Clean Energy Finance and Investment Authority
337 and any person executing the bonds or notes of the agency shall not be
338 liable personally on such bonds or notes or be subject to any personal
339 liability or accountability by reason of the issuance thereof, nor shall
340 any director or employee of the agency, including ad hoc members of
341 the Connecticut Resources Recovery Authority, be personally liable for
342 damage or injury, not wanton, reckless, wilful or malicious, caused in
343 the performance of his or her duties and within the scope of his or her
344 employment or appointment as such director, officer or employee,
345 including ad hoc members of the Connecticut Resources Recovery
346 Authority. The agency shall protect, save harmless and indemnify its
347 directors, officers or employees, including ad hoc members of the
348 Connecticut Resources Recovery Authority, from financial loss and
349 expense, including legal fees and costs, if any, arising out of any claim,
350 demand, suit or judgment by reason of alleged negligence or alleged
351 deprivation of any person's civil rights or any other act or omission
352 resulting in damage or injury, if the director, officer or employee,
353 including ad hoc members of the Connecticut Resources Recovery
354 Authority, is found to have been acting in the discharge of his or her
355 duties or within the scope of his or her employment and such act or
356 omission is found not to have been wanton, reckless, wilful or
357 malicious.

358 Sec. 12. Section 10a-178 of the general statutes is amended by adding
359 subsection (q) as follows (*Effective July 1, 2014*):

360 (NEW) (q) "Connecticut Student Loan Foundation" means the
361 Connecticut Student Loan Foundation established pursuant to chapter
362 187a that is a subsidiary of the authority as provided in section 13 of
363 this act, and that is deemed a quasi-public agency for purposes of
364 chapter 12.

365 Sec. 13. (NEW) (*Effective July 1, 2014*) (a) The Connecticut Student
366 Loan Foundation is constituted as a subsidiary of the Connecticut
367 Health and Educational Facilities Authority. The Connecticut Student
368 Loan Foundation shall have all the privileges, immunities, tax
369 exemptions and other exemptions of the Connecticut Health and
370 Educational Facilities Authority and may exercise the powers granted
371 pursuant to chapter 187a of the general statutes, which shall be
372 deemed and held to be the performance of an essential public and
373 government function. The Connecticut Student Loan Foundation shall
374 be subject to suit and liability solely from the assets, revenues and
375 resources of the Connecticut Student Loan Foundation and without
376 recourse to the general funds, revenues, resources or any other assets
377 of the Connecticut Health and Educational Facilities Authority or any
378 other subsidiary of the Connecticut Health and Educational Facilities
379 Authority.

380 (b) (1) On and after July 1, 2014, the board of directors of the
381 Connecticut Higher Education Supplemental Loan Authority,
382 appointed in accordance with section 10a-179a of the general statutes,
383 shall also serve as the board of directors for the Connecticut Student
384 Loan Foundation. Any member of the Connecticut Student Loan
385 Foundation board may be removed by the board of directors of the
386 Connecticut Health and Educational Facilities Authority for
387 misfeasance, malfeasance or neglect of duty. Each member of the
388 Connecticut Student Loan Foundation board, before entering upon his
389 or her duties, shall take and subscribe the oath or affirmation required
390 by section 1 of article eleventh of the State Constitution. A record of
391 each such oath shall be filed in the office of the Secretary of the State.

392 (2) The chairperson of the board of directors of the Connecticut
393 Higher Education Supplemental Loan Authority shall serve as the
394 chairperson of the Connecticut Student Loan Foundation board of
395 directors. The Connecticut Student Loan Foundation board shall
396 annually elect one of its members as vice-chairperson. The Connecticut
397 Student Loan Foundation board may appoint an executive director,
398 who shall be an employee of the Connecticut Health and Educational

399 Facilities Authority or of the Connecticut Higher Education
400 Supplemental Loan Authority, and who shall serve at the pleasure of
401 the Connecticut Student Loan Foundation board. The executive
402 director shall supervise the administrative affairs and technical
403 activities of the Connecticut Student Loan Foundation in accordance
404 with the directives of the board. The executive director shall keep a
405 record of all proceedings and shall be custodian of all books,
406 documents and papers filed with the Connecticut Student Loan
407 Foundation and of its minute book and its official seal.

408 (3) Directors shall receive no compensation for their services, but
409 shall be reimbursed for expenses actually and necessarily incurred by
410 them in the performance of their duties under this section.

411 (4) The board of directors shall adopt bylaws for the Connecticut
412 Student Loan Foundation and provide for the holding of regular and
413 special meetings. A majority of the directors shall constitute a quorum
414 for the transaction of any business and, unless a greater number is
415 required by the bylaws of the Connecticut Student Loan Foundation,
416 the act of a majority of the directors present at any meeting shall be
417 deemed the act of the board.

418 (5) The board of directors may elect an executive committee of not
419 fewer than five members who, in intervals between meetings of the
420 board, may transact such business of the Connecticut Student Loan
421 Foundation as the board may from time to time authorize.

422 (c) The provisions of section 1-125 of the general statutes, as
423 amended by this act, subsection (e) of section 10a-185 of the general
424 statutes and this subsection shall apply to any officer, director,
425 designee or employee of the Connecticut Higher Education
426 Supplemental Loan Authority or of the Connecticut Health and
427 Educational Facilities Authority appointed as a member, director or
428 officer of the Connecticut Student Loan Foundation and to an
429 employee of the Connecticut Health and Educational Facilities
430 Authority who is an authorized officer of the authority. Any such
431 persons so appointed shall not be personally liable for the debts,

432 obligations or liabilities of the Connecticut Student Loan Foundation as
433 provided in said section 1-125. The Connecticut Student Loan
434 Foundation shall and the Connecticut Health and Educational
435 Facilities Authority may provide for the indemnification to protect,
436 save harmless and indemnify such officer, director, designee or
437 employee as provided by said section 1-125.

438 (d) The Connecticut Health and Educational Facilities Authority or
439 the Connecticut Student Loan Foundation may take such actions as are
440 necessary to comply with the provisions of the Internal Revenue Code
441 of 1986 or any subsequent corresponding internal revenue code of the
442 United States, as from time to time amended, to qualify and maintain
443 any such subsidiary as a corporation exempt from taxation under said
444 Internal Revenue Code.

445 Sec. 14. Section 10a-180 of the general statutes is amended by adding
446 subsection (y) as follows (*Effective July 1, 2014*):

447 (NEW) (y) To provide and be compensated for such services to or
448 on behalf of the Connecticut Student Loan Foundation as are
449 appropriate for the operation and management of said foundation,
450 including, without limitation, to provide to said foundation and to be
451 reimbursed for costs associated with such space, equipment, supplies
452 and employees as are necessary and appropriate for the operations of
453 said foundation.

454 Sec. 15. Section 10a-201 of the general statutes is repealed and the
455 following is substituted in lieu thereof (*Effective July 1, 2014*):

456 There is hereby created a nonprofit corporation which shall be
457 known as the Connecticut Student Loan Foundation, and shall be a
458 subsidiary of the Connecticut Health and Educational Facilities
459 Authority. The purpose of said corporation shall be to improve
460 educational opportunity and promote repayment of loans. Improving
461 educational opportunity shall include, but not be limited to, the
462 following: (1) Guaranteeing loans for persons to assist them in meeting
463 the expenses of education, including alternative loans and loans that

464 are governed by Title IV, Part B of the Higher Education Act of 1965, as
465 from time to time amended; (2) lending funds or acquiring loans made
466 to persons to assist them in meeting the expenses of education,
467 including alternative loans and loans that are governed by Title IV,
468 Part B of the Higher Education Act of 1965, as from time to time
469 amended; and (3) providing appropriate services incident to the
470 administration of programs which are established to improve
471 educational opportunities, all in accordance with the provisions of this
472 chapter. Said corporation shall be exempt from all requirements of
473 chapter 602.

474 Sec. 16. Section 10a-202 of the general statutes is repealed and the
475 following is substituted in lieu thereof (*Effective July 1, 2014*):

476 As used in this chapter, the following terms shall have the following
477 meanings:

478 [(a)] (1) "Corporation" means the Connecticut Student Loan
479 Foundation that is a subsidiary of the Connecticut Health and
480 Educational Facilities Authority as provided in section 13 of this act;

481 [(b)] (2) "Board" means the board of directors of the Connecticut
482 Student Loan Foundation, as provided in section 13 of this act;

483 (3) "Connecticut Health and Educational Facilities Authority" means
484 the authority established pursuant to section 10a-179;

485 [(c)] (4) "Eligible institution" means "eligible institution", as defined
486 in Title IV, Part B of the Higher Education Act of 1965;

487 [(d)] (5) "An institution of higher education" means "institution of
488 higher education", as defined in Title IV, Part B of the Higher
489 Education Act of 1965;

490 [(e)] (6) "Title IV, Part B of the Higher Education Act of 1965" means
491 the applicable provisions of Title IV, Part B of the Higher Education
492 Act of 1965, as amended, and the regulations promulgated thereunder
493 and as the same may from time to time be amended;

494 [(f)] (7) "Eligible lender" means "eligible lender", as defined in Title
 495 IV, Part B of the Higher Education Act of 1965, where applicable.

496 Sec. 17. Section 10a-204 of the general statutes is amended by adding
 497 subdivision (9) as follows (*Effective July 1, 2014*):

498 (NEW) (9) To distribute excess corporation funds to the Connecticut
 499 Health and Educational Facilities Authority or any subsidiary of said
 500 authority for the purpose of such recipient's provision of financial
 501 assistance to qualified students attending institutions of higher
 502 education, including, without limitation, loans, scholarships or grants
 503 and financial literacy education.

504 Sec. 18. Section 10a-203 of the general statutes is repealed. (*Effective*
 505 *July 1, 2014*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2014</i>	New section
Sec. 2	<i>July 1, 2014</i>	12-743
Sec. 3	<i>from passage</i>	New section
Sec. 4	<i>from passage</i>	3-22f
Sec. 5	<i>from passage</i>	3-22g
Sec. 6	<i>from passage</i>	3-22h
Sec. 7	<i>from passage</i>	3-22m
Sec. 8	<i>from passage</i>	3-22n
Sec. 9	<i>July 1, 2014</i>	1-120
Sec. 10	<i>July 1, 2014</i>	1-124
Sec. 11	<i>July 1, 2014</i>	1-125
Sec. 12	<i>July 1, 2014</i>	10a-178
Sec. 13	<i>July 1, 2014</i>	New section
Sec. 14	<i>July 1, 2014</i>	10a-180
Sec. 15	<i>July 1, 2014</i>	10a-201
Sec. 16	<i>July 1, 2014</i>	10a-202
Sec. 17	<i>July 1, 2014</i>	10a-204
Sec. 18	<i>July 1, 2014</i>	Repealer section

Statement of Legislative Commissioners:

In section 5(a), a reference to contributions made pursuant to section 12-743 of the general statutes was added, for clarity and accuracy.

FIN *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note**State Impact:**

Agency Affected	Fund-Effect	FY 15 \$	FY 16 \$
Department of Revenue Services	GF - Cost	75,000-80,000	None
Connecticut Student Loan Foundation	Other Funds - Cost	12,000,000	None
Treasurer	CHET Baby Scholars Trust Account - Revenue Gain	12,000,000	None

Municipal Impact: None

Explanation

The provision allowing for Connecticut Higher Education Trust (CHET) contributions to be made through income tax refunds will result in a one-time cost to the Department of Revenue Services (DRS) of \$75,000-\$80,000 in FY 15 for updates to the online Taxpayer Service Center.

Section 17 of sHB 5030, the revised FY 15 budget, as favorably reported by the Appropriations Committee, allows for the carry forward of \$90,000 in the DRS Personal Services account from FY 14 into FY 15, which will be transferred to the Other Expenses account for modifications to the tax systems and forms related to this CHET contribution provision.

The bill does not result in a General Fund cost to the Office of the State Treasurer (OST) because the language stipulates that OST may pay the costs of establishing and administering the program from the CHET Baby Scholars Trust Account.

Section 23 of sHB 5030, the revised FY 15 budget, as favorably reported by the Appropriations Committee, transfers \$12 million from the assets of the defunct Connecticut Student Loan Foundation (CSLF) to capitalize the CHET Baby Scholars Program. CSLF currently has cash assets of \$19.3 million. Of this total, \$5.9 million is in the CSLF's operating account and \$13.4 million is cash from the sale of CSLF's federal student loan guaranty function, which is held in a restricted account and available only for certain higher education purposes.

The estimated cost for fees and administrative expenses for the \$12 million, which would be paid out of the assets of the CHET Baby Scholars Trust Account, is between \$44,400 and \$51,600. The estimate is based on the current range of annual asset-based fees¹ for the Connecticut Higher Education Trust (CHET) 529 college savings program's direct-sold plan for the Conservative Managed Allocation Option and the Moderate Managed Allocation Option.

The Out Years

The cost to DRS and the transfer of assets from CSLF to the CHET Baby Scholars Program are one-time in nature so there is no out year impact. The administrative costs for the CHET Baby Scholars Program, which are paid out of the program's assets, would continue into the future. The amount of the costs would depend on the amount of assets in the program.

¹ This range of total annual asset-based fees is between 0.37% and 0.43%. This includes: (1) a Direct Plan Manager Fee of 0.18%, (2) an administrative fee of 0.01% and (3) the estimated underlying mutual fund expenses ranging between 0.19% and 0.24%.

OLR Bill Analysis**sHB 5048*****AN ACT ESTABLISHING THE CHET BABY SCHOLARS PROGRAM
AND AMENDING STATUTES RELATING TO THE CONNECTICUT
STUDENT LOAN FOUNDATION.*****SUMMARY:**

This bill establishes a (1) college savings program for newborn and adopted children as part of the Connecticut Higher Education Trust (CHET) and (2) a separate, nonlapsing General Fund account to fund the program (CHET Baby Scholars Fund). The program must provide incentive payments to CHET beneficiaries born or legally adopted on or after January 1, 2014 and living in Connecticut when the incentive payments are made. The state treasurer must administer the program, making incentive payments from the CHET Baby Scholars Fund.

Under the bill, the treasurer must make up to two incentive payments to the savings plan of a participating child. She must make an initial \$100 payment to the plan of a child who entered the program by his or her first birthday or within one year after the child's legal adoption. She must a subsequent \$150 payment to the plan if it received at least \$150 in deposits before the child's fourth birthday or within four years after his or her legal adoption. The bill allows taxpayers to contribute part of their state income tax refunds to CHET savings plans, including contributions under the CHET Baby Scholars Program. It excludes the money deposited in these plans as assets for determining eligibility under specific income assistance programs.

The bill also reconstitutes the Connecticut Student Loan Foundation (CSLF) as a quasi-public subsidiary for the Connecticut Health and Educational Facilities Authority (CHEFA). Currently, CSLF is an independent, state-chartered nonprofit corporation created to make or guarantee loans under the Federal Family Education Loan Program. It

stopped making new loans and sold its loan guarantee portfolio in 2009 and now performs mostly administrative duties. But it retains its power to make or guarantee loans.

EFFECTIVE DATE: Upon passage, except for the provisions concerning the CHET Baby Scholars Program, income tax refunds contributed to the CHET program, and CSLF, which are effective July 1, 2014.

CHET PROGRAM

CHET Baby Scholars Program Administration

The bill establishes the CHET Baby Scholars Program as a component of the CHET program, which is Connecticut's state-sponsored college savings plan. The state treasurer must administer the program, providing incentive payments from the CHET Baby Scholars Fund account the bill establishes. She may enter into one or more contractual agreements specifying requirements for participating in the Baby Scholars program and receiving its incentive payments. She may tap the account to cover the administrative cost of creating the account and making the payments.

Income Tax Refunds

The bill allows taxpayers to contribute any part of their state income tax refund to an individual CHET account, including accounts created under the Baby Scholars program. To help taxpayers interested in making such contributions, the revenue services commissioner must include information in the instructions accompanying tax returns indicating how taxpayers may contact the treasurer about CHET or providing links to her website. He must also revise the income tax return to include spaces for taxpayers to contribute in the manner already allowed for contributions to other accounts, such as those for AIDS research and organ transplants.

Current law allows the commissioner to tap up to 7.5% of the funds contributed to these accounts each year to cover the cost of administering the accounts. The bill bars the commissioner from

tapping CHET plan assets for this purpose.

CHET Assets

The bill excludes CHET funds in determining eligibility for (1) the Temporary Family Assistance program, (2) the Low-Income Home Energy Assistance Program, (3) the federally funded weatherization assistance program, and (4) an individual's need-based institutional grants offered at the state's public colleges and universities.

CSLF

CHEFA Quasi-Public Subsidiary

The bill reconstitutes CSLF as a quasi-public subsidiary of CHEFA. (The Connecticut Higher Education Supplemental Loan Authority (CHESLA) is already a CHEFA subsidiary.) By making CSLF a quasi-public agency, the bill requires CSLF to comply with the statutes governing such agencies. Among other things, CSLF must (1) obtain the state treasurer's approval before issuing bonds or incurring other debt backed by the state and (2) protect its directors, officers, and employees from liability when performing their duties.

As a CHEFA subsidiary, CSLF has the same privileges, immunities, tax exemptions, and other exemptions as CHEFA, but CSLF's liability does not extend beyond its assets, revenue, and resources. CSLF continues to exercise its powers under existing law. To help CSLF exercise those powers, CHEFA may support CSLF's operations and receive compensation for doing so. Such support includes space, equipment, supplies, and employees.

CHEFA and CSLF must take any actions necessary to maintain CSFL's status as a federal tax-exempt organization. The bill does not otherwise change CHEFA's powers and responsibilities.

Board of Directors

The bill eliminates CSLF's 14-member board on July 1, 2014 and replaces it with CHESLA's nine-member board. CSFL's board currently consists of state higher educational officials, people with

financing and accounting backgrounds, and legislative appointees. CHESLA's board includes state officials, CHEFA board members, and an expert in state and municipal finances.

The bill authorizes CHEFA's board to remove any member from CSLF board for misfeasance, malfeasance, or neglect of duty. The chairperson of CHESLA's board must serve as the chairperson of CSLF's reconstituted board, and that board must elect a vice chairperson from its members. The board members are not compensated for their service, but must be reimbursed for expenses. They must also take the oath of office prescribed in Article XI of the State Constitution.

The board must adopt CSLF's bylaws and hold regular and special meetings. A majority of the members constitutes a quorum for conducting business, and a majority of those present at these meetings must decide matters, unless the bylaws require otherwise. The board may elect an executive committee to conduct CSLF's business in between board meetings. The committee may consist of up to four members.

The reconstituted CSLF board may distribute any excess fund to CHEFA or its subsidiaries (currently, CHESLA is the only subsidiary) for providing financial assistance to qualified students attending higher education institutions. The assistance includes financial literacy education and loans, scholarships, and grants.

CSLF's board may appoint CSLF's executive director, who must be a CHEFA or CHESLA employee, but serves at CSLF board's pleasure. The director's duties include supervising CSLF activities; keeping a record of CSLF proceedings; and maintaining its books, documents, and papers.

The statutory protections from liability apply to CHEFA and CHESLA officers, directors, designees and employees who are appointed as CSFL members, directors, or officers. They also apply to CHEFA employees appointed as CSFL officers. These appointed

officials are not personally liable for CSFL's debts, obligations, or liabilities. CSLF must, and CHEFA may, protect, save harmless, and indemnify them.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 45 Nay 5 (04/01/2014)